

Office of the Secretary

VS8-2 (10211)P

DEPARTMENT OF THE NAVY

Washington

April 23, 1941

Orders:

Article 8 of the Navy Department Contracts NOD-1122 and NOD-1123 and Article 9 of Contracts NOD-1376, NOD-1377, NOD-1430, NOD-1432, NOD-1433, NOD-1497, NOD-1500, NOD-1503, NOD-1642 and NOD-1732 require that when a vessel is substantially complete, except for minor items of work which may, in the discretion of the Secretary of the Navy, be left unfinished until after the trials and when the Contractor shall have made sufficient trials at dock and in free route (the Builder's Trials) to be reasonably sure of satisfactory performance, the vessels shall be subjected to trials under the supervision of a Trial Board. The details of these trials are specified in the contracts and the detail and special specifications.

During the Builder's Trials, operation of the vessel normally is carried on in practically the same manner that the vessel is required to operate during the preliminary trials and compliance with the specification requirements for part or all of the preliminary trials may be satisfactorily demonstrated.

In the interest of expediting completion and delivery of the vessels under Contracts NOD-1122, NOD-1123, NOD-1376, NOD-1377, NOD-1430, NOD-1432, NOD-1433, NOD-1497, NOD-1500, NOD-1503, NOD-1642 and NOD-1732, the Secretary of the Navy hereby authorizes the following change in the provisions of these contracts:

Article 8 - Contracts NOD-1122 and NOD-1123:

Article 9 - Contracts NOD-1376, NOD-1377, NOD-1430, NOD-1432, NOD-1433, NOD-1497, NOD-1500, NOD-1503, NOD-1642 and NOD-1732:

...of ... to the ...
... "Final Trials", insert the
...:

"None of the preliminary trial re-
quirements as may be performed on the
builder's trials to the satisfaction
of the Trial Board may be accepted by
the Trial Board as fulfilling such re-
quirements. Any tests which have been
omitted from the preliminary trials as
a result of this provision will be sub-
mitted to the Board on Charges for de-
termination of the decrease in cost, if
any, resulting from such curtailment of
the preliminary trials."

It is requested that receipt of this letter be
acknowledged.

Respectfully,

Ralph A. Bard

Acting Secretary of the Navy

Federal Shipbuilding and Dry Dock Company
Kearny, New Jersey

BuShips
BuS&A
CompBd (3)
BdI&S
SupShip, Kearny, N. J.

Main
total
American
ment.

... of the vessel, including the machinery, shall be opened for such post-trial examination as the Total Board may direct. Any defects or deficiencies that appear shall be corrected by and at the expense of the contractor, as directed by the Department, after which the machinery shall be closed and connected ready for service.

... of the vessel, including the machinery, shall be opened for such post-trial examination as the Total Board may direct. Any defects or deficiencies that appear shall be corrected by and at the expense of the contractor, as directed by the Department, after which the machinery shall be closed and connected ready for service.

... of the vessel, including the machinery, shall be opened for such post-trial examination as the Total Board may direct. Any defects or deficiencies that appear shall be corrected by and at the expense of the contractor, as directed by the Department, after which the machinery shall be closed and connected ready for service.

Additional
total.

... of the vessel, including the machinery, shall be opened for such post-trial examination as the Total Board may direct. Any defects or deficiencies that appear shall be corrected by and at the expense of the contractor, as directed by the Department, after which the machinery shall be closed and connected ready for service.

Cost of
trials
con-
tractor's
expense.

... of the vessel, including the machinery, shall be opened for such post-trial examination as the Total Board may direct. Any defects or deficiencies that appear shall be corrected by and at the expense of the contractor, as directed by the Department, after which the machinery shall be closed and connected ready for service.

Post
trial
exam-
ination

Article 4(a). If, at, and upon the trials, foregoing mentioned the foregoing requirements and conditions shall be fulfilled, and if the various guarantees of the contract shall be fully met, the vessel shall be accepted preliminarily and payments made to the contractor of an amount hereinafter specified. If, however, the requirements, conditions, and guarantees of the contract shall be not, except for deficiencies for which money penalties have been provided herein, then in such case the vessel shall be preliminarily

Prelimi-
nary
acceptance

On trial (a) at the rate of one thousand five hundred
gallons per hour, the corrected fuel oil rate shall be
one hundred and fifty gallons per hour.

On trial (a) at the rate of one thousand five hundred
gallons per hour, the corrected fuel oil rate shall be
one hundred and fifty gallons per hour.

On trial (b) at the rate of one thousand five hundred
gallons per hour, the corrected fuel oil rate shall be
one hundred and fifty gallons per hour.

On trial (c) at the rate of one thousand five hundred
gallons per hour, the corrected fuel oil rate shall be
one hundred and fifty gallons per hour.

On trial (d) at the rate of one thousand five hundred
gallons per hour, the corrected fuel oil rate shall be
one hundred and fifty gallons per hour.

On trial (e) at the rate of one thousand five hundred
gallons per hour, the corrected fuel oil rate shall be
one hundred and fifty gallons per hour.

On trial (f) at the rate of two thousand three
hundred and seventy-five gallons per hour, the corrected fuel oil rate shall be
two thousand three hundred and seventy-five gallons per hour.

The actual fuel oil consumed, as measured on the
trials, will be corrected to a standard of 18,500
B. T. U. per pound of fuel oil and these corrected
oil rates will be used in computing the delivery
and premium fuel oil rates.

Corrections
to measured
fuel oil
rates.

Provided, however, that, should the corrected
oil rate under any of the above conditions be
higher than the corresponding guaranteed fuel oil rate,
the same shall be paid by the Department at exactly
the same rates as are specified herein for penalty
cases: Provided, however, that the amount allowed
the sum of all the premiums earned for improving
fuel oil guarantees less the sum of all the deduc-
tions sustained for failure to obtain the fuel oil
guarantees shall not be greater than fifty thousand
dollars (\$50,000).

Premiums
for im-
proving
fuel oil
guarantees.

On trial (g), if the vessel shall fail to
develop the contract shaft horsepower as defined in
the machinery specifications, there shall be a deduc-
tion from the contract price at the rate of twenty
thousand dollars (\$20,000) for each 1,000 shaft
horsepower below said contract shaft horsepower.

Deductions
for under-
power.

If the contract...
...shall fall below...
...a premium shall be paid by the Department of...
...Contractor at the rate of...
...plans now on file...
...shall fall below...
...at no premium shall be paid...
...contract might thus...
...as, PROVIDED also...
...area shall be...
...describes below.

Premiums
for pay-
ment of
premium.

(c) In addition...
...ment to the contractor...
...ount that shall be...
...amount remaining...
...ere shall be...
...completed work...
...and deficiencies...
...liquidated damages...
...count of delay...
...and the cost of...
...and, if the actual...
...er knows, the estimated...
...ed pending determination...
...ere shall be...
...undred fifty thousand...
...wever, that if the sum...
...or weight and trial...
...um of all deductions...
...or delay and...
...arranties as to trial...
...at case the excess...
...ductions shall also...
...e time of preliminary...
...acceptance.

Preliminary
Settlement

(d) The special reserve of two hundred fifty thousand dollars (\$250,000) shall be held for a period of six months from date of preliminary acceptance, but such reservation shall not be construed as limiting the contractor's liability: PROVIDED, That during said period the vessel shall be finally tried, after being fully equipped and armed and in all respects complete and ready for sea, under conditions prescribed by the Secretary of the Navy; the expenses of such final trial to be borne by the Government.

Final
trial

Article 10(a). The Department will pay for the work to be performed and furnished in accordance with this contract, twelve million, two hundred twenty thousand dollars (\$12,220,000), subject to adjustment for changes in labor and material costs as provided in article 11 hereof.

(b). Payments of the contract price shall be made by the Department in 40 equal installments as earned.

(c). Payments shall be made from time to time as changes involving increased costs of the work is completed the costs determined as hereinafter specified: PROVIDED, however, that the Secretary of the Navy, in his discretion, make partial payments on account of adjudicated parts of changes involving increased cost in advance of completion of the work. Reductions for changes involving decreased cost shall be made as provided in Article 9 hereof.

(d). Payment of the last two installments of contract price shall be made at the time specified as provided for in Article 9 hereof.

Article 11. The contract price stated in article 10 hereof is subject to adjustment for changes in labor or material costs, such changes involving a net increase in the said contract price to be determined in accordance with the following method:

1. Labor.

(a) The proportion of the contract price represented by labor subject to adjustment in price is accepted as 40 per cent of the contract price, or \$4,890,400.

(b) From the standard curve of labor costs, approved by the Secretary of the Navy, the labor cost determined in (a) is hereby divided into labor cost quotas for each quarter of the contract (3 months or less for the final period) as follows:

		Quota
1st quarter	(3 months)	\$ _____
2nd quarter	(3 months)	_____
3rd quarter	(3 months)	_____
4th quarter	(3 months)	_____
5th quarter	(3 months)	_____
6th quarter	(3 months)	_____
7th quarter	(3 months)	_____
8th quarter	(3 months)	_____
9th quarter	(3 months)	_____
10th quarter	(3 months)	_____
11th quarter	(3 months)	_____
12th quarter	(3 months)	_____
13th quarter	(3 months)	_____
14th quarter	(3 months)	_____
15th quarter	(3 months)	_____
16th quarter	(3 months)	_____
17th quarter	(3 months)	_____
18th quarter	(3 months)	_____
19th quarter	(3 months)	_____
20th quarter	(3 months)	_____
21st quarter	(3 months)	_____
22nd quarter	(3 months)	_____
23rd quarter	(3 months)	_____
24th quarter	(3 months)	_____
25th quarter	(3 months)	_____
26th quarter	(3 months)	_____
27th quarter	(3 months)	_____
28th quarter	(3 months)	_____
29th quarter	(3 months)	_____
30th quarter	(3 months)	_____
31st quarter	(3 months)	_____
32nd quarter	(3 months)	_____
33rd quarter	(3 months)	_____
34th quarter	(3 months)	_____
35th quarter	(3 months)	_____
36th quarter	(3 months)	_____
37th quarter	(3 months)	_____
38th quarter	(3 months)	_____
39th quarter	(3 months)	_____
40th quarter	(3 months)	_____

... (b) ... (c) ... (d) ... (e) ... (f) ... (g) ... (h) ... (i) ... (j) ... (k) ... (l) ... (m) ... (n) ... (o) ... (p) ... (q) ... (r) ... (s) ... (t) ... (u) ... (v) ... (w) ... (x) ... (y) ... (z) ...

(a) The quota for each quarter period will be the pre-determined value used as a basis for the determination of increases or decreases in labor cost for each quarter, whether or not the actual labor cost expended by the contractor is above or below the quota.

2. Material -

(e) The proportion of the contract price represented by material subject to adjustment in price is accepted as 30 per cent of the contract price, or, \$3667800

(f) From the standard curve of value of material ordered, approved by the Secretary of the Navy, the material cost determined in (e) is hereby divided into material cost quotas for each quarter period of the contract (3 months or less for the final period), as follows:

Quarter	Duration	Quota.
First quarter	(3 months)	_____
Second quarter	(3 months)	_____
Third quarter	(3 months)	_____
Fourth quarter	(3 months)	_____
Fifth quarter	(3 months)	_____
Sixth quarter	(3 months)	_____
Seventh quarter	(3 months)	_____
Eighth quarter	(3 months)	_____
Ninth quarter	(3 months)	_____
Tenth quarter	(3 months)	_____
Eleventh quarter	(3 months)	_____
Twelfth quarter	(3 months)	_____
Thirteenth quarter	(3 months)	_____

(g) The index number of material prices for each calendar month, compiled monthly by the United States Department of Labor, Bureau of Statistics, will be used in the computation for each month of the contract price, and calculations will be made of the rates of change of such index numbers for each month in comparison with the index number for the month of February 1957 as a base. In the case of contracts executed on a date between the 1st and 15th day (inclusive) of a calendar month the data compiled by the Department of Labor for that month and the 2 succeeding months will be used in determining average rates of change for the first quarter of the contract period; in the case of contracts executed on a date between the 16th and the last day (inclusive) of a calendar month the data compiled by the Department of Labor for the next following month and the 2 succeeding months will be used in determining average rates of change for the first quarter of the contract period. The average of the rates of change for each of the 3 months of any yearly quarter will be applied to the material cost quota for each quarterly period as given in (f), and the result will be applied as an increase or decrease.

(h) The quota for each quarter period will be the pre-terminal value, used as a bill for the determination of increases or decreases in cost of material for each quarter, whether or not the actual value of material ordered by the contractor is above or below the quota.

It is expressly agreed that quotas for labor and material will not be altered on account of delays in the completion of the ship unless extensions in the contract time are authorized by the Department, in which case revised quotas as determined by the Department will be used, based upon the contract time extended. Such revised quotas will not include costs allowed for changes which are adjudicated by the Board on Changes in accordance with article 5 hereof.

For the purpose of determining net increases in contract prices, if any, rates of change in average hourly earnings, and rates of change in the material index number will be calculated to the nearest one-tenth of 1 per cent. The statistical data upon which rates of change in labor and material costs are to be based are compiled by the Department of Labor by calendar months.

Payments for increases in contract price, resulting from the above, will be deferred until preliminary settlement; PROVIDED, however, That the Secretary of the Navy may make partial payments on account of such increases as may accrue from time to time subject to such requirements as a condition precedent to such payments as he may prescribe.

The main engine for the main thruster and gear will be furnished in accordance with the General Specifications for Machinery. If modified they will be furnished for one ship only in lieu of one set for each of four (4) ships.

Article (c) of the Specifications for Auxiliary Machinery will be modified to read as follows: "The Auxiliary Machinery will be furnished for one ship only in lieu of one set for each of four (4) ships."

Option to
cancel
is to

Propellers

Propeller requirement modification 374,000.00

The above prices for the main thruster and gear will be furnished in accordance with the General Specifications for Machinery. If modified they will be furnished for one ship only in lieu of one set for each of four (4) ships.

Propeller requirement modification 322,500.00

In the event of modification of the main requirements, one ship of the four (4) ships will have a full set of trials as required under the contract, and the trials on the other ships will consist of a full power run, endurance run, the backing, steering, and maneuvering tests.

Propeller requirement modification 328,000.00

In the event of modification of the main requirements, as set forth in the Specifications, one set of Type "D" "See-See" and seven (7) sets of blueprints will be furnished in lieu of eight (8) sets of "See-See".

Propeller requirement modification 317,000.00

The Specifications require two (2) spare propellers for each ship and if modification is made under this item, two (2) spare propellers will be furnished for each group of two (2) ships.

The contractor shall be bound by the specifications and drawings in this contract and shall be held responsible for the fulfillment of the same. If the contractor fails to comply with the specifications and drawings, it shall be held liable for the cost of rework and for the cost of any delay in the completion of the work.

The contract price is \$ 2,000.00

The specifications and drawings shall be held in confidence. If the contractor discloses the same to any other person, it shall be held liable for the cost of any damage to the Government.

Article I. The contractor hereby expressly agrees to be bound by the provisions of the act approved March 3, 1934, (U.S.C., title 41, section 403), and the act approved June 17, 1938 (U.S.C., title 41, section 403, 404), and regulations issued in pursuance thereof. Limitation of profit.

Article II. The contract shall be void if the contractor fails to comply with the conditions set forth in the contract before it was signed by the parties below:

In witness whereof, I, the undersigned, have hereunto set my hand and seal this _____ day of _____, 19____.

/s/ W. R. Woodson
Judge Advocate General
As to Charles Edison
Acting Secretary of the Navy

THE UNITED STATES OF AMERICA
By /s/ Charles Edison
Acting Secretary of the Navy

Witnesses:
/s/ B.C. Riley
C.R. Corney (?)

FEDERAL SHIPBUILDING & DRY DOCK CO.
Contractor
/s/ L. H. Korndorff, PRESIDENT
KEARNY, N.J.
(Business Address)

I, F. J. McWILLIAMS, certify that I am the Assistant Secretary of the Corporation named as contractor herein; that L. H. KORNDORFF who signed this contract on behalf of the contractor was then PRESIDENT of said corporation; that said contract was duly signed for and in behalf of said corporation by authority of its governing body and is within the scope of its corporate powers.

(Corporate Seal).

F. J. McWilliams